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C O N F I D E N T I A L SECTION 01 OF 03 TASHKENT 001069

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DEPARTMENT FOR SCA/CEN AND EUR/ACE
ANKARA FOR AG ATTACHE
ASTANA ALSO FOR USAID

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TAGS: [PREL](#) [EAID](#) [UZ](#)

SUBJECT: THE ERA OF U.S. ASSISTANCE IS OVER

REF: A. TASHKENT 1060 AND PREVIOUS
[1](#)B. TASHKENT 536 AND PREVIOUS

Classified By: CDA Brad Hanson for reasons 1.4 (b) and (d).

Summary

[1](#)1. (C) U.S. Coordinator for Assistance to Europe and Eurasia Tom Adams urged Deputy Prime Minister Azimov and First Deputy Foreign Minister Nematov to resolve ongoing issues involving an Embassy FSN and the seizure of U.S. assistance funding from two nongovernmental organizations. The U.S. is reviewing both its assistance programs to Uzbekistan and the overall bilateral relationship, he warned, and failure to resolve these issues could have negative consequences. Both Azimov and Nematov expressed appreciation for past U.S. assistance, and both called for an increase in the bilateral trade relationship. However, neither was prepared to engage substantively on the issues Adams raised, parroting the official line that everything was being done in full accordance with Uzbek law. Both officials also noted that Uzbekistan no longer requires additional assistance from abroad. Nematov said Uzbekistan appreciates assistance from the United States, but the relationship between the countries must be equal with no political pressure and nongovernmental organizations implementing such assistance must comply with specific requirements. Azimov said only that the era of U.S. assistance has ended. Both officials were in listen mode and had clearly not received instructions from President Karimov, who will ultimately decide whether to show any flexibility on the issues. Recent events suggest that while Uzbek rhetoric about wanting a better relationship with the United States will continue, Uzbek actions will lag behind. End summary.

[1](#)2. (C) U.S. Coordinator for Assistance to Europe and Eurasia Tom Adams, accompanied by the Charge, met separately with Deputy Prime Minister Rustam Azimov and First Deputy Foreign Minister Ilkhomjon Nematov June 4 to discuss obstacles in U.S. assistance programs with Uzbekistan. Azimov was accompanied by the Minister of Foreign Economic Relations, a Deputy Minister of Justice, and the First Deputy Chairman of the State Tax Committee. In both meetings, Adams recalled the value of U.S. assistance to Uzbekistan and said that we wanted our assistance programs to continue in support of improved relations between our two countries. However, recent events - particularly the case against Embassy FSN

Dmitriy Bitvutskiy (Ref A) and the seizure of USG funds from two U.S. nongovernmental organizations (Ref B) - had called into question the Government of Uzbekistan's commitment to a better relationship. On the second issue, Adams said that the U.S. would consider reprogramming funds from microfinance programs into an area of mutual agreement, such as health care, if the Uzbek government would agree to return the seized funds. Adams warned that the Government of Uzbekistan's actions have prompted a review of U.S. assistance programs as well as a review of the overall U.S.-Uzbekistan relationship, and urged quick action to resolve both of these issues. Failure to do so, he said, could well have negative consequences.

13. (C) Adams also prodded Azimov and Nematov to have the Government of Uzbekistan move faster on implementing already agreed upon agricultural projects, funded by the sales proceeds of surplus commodities, under USDA's previous years Food for Progress programs. To date, the government has issued presidential decrees on financing ten of 38 approved projects, representing approximately \$5.3 million of the original \$13.6 million worth of projects approved. Azimov merely responded that these projects needed to operate successfully and he took Adams' point to use the dollars more effectively. Nematov said nothing on the subject. (Comment: Post hopes this high-level mention will spur some action by the Cabinet of Ministers on the 28 projects prior to the next U.S.-Uzbek Joint Working Group meeting the end of June/beginning of July. End comment.)

Azimov: We Can Do It Ourselves

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14. (C) Deputy Prime Minister and Minister of Finance Azimov told Adams that Uzbekistan has experienced strong economic growth over the past 16 years. This positive economic performance, he said, has been matched by political and economic reform directed by President Karimov. Uzbekistan has run a budget surplus in recent years and also acquired much human resource expertise. He noted, however, that Uzbekistan wants to increase its economic and trade relationship with American companies, and that Minister of Foreign Economic Relations Ganiev plans to participate in the annual American Uzbek Chamber of Commerce meeting in Washington later in June. In business, Azimov said, there is no double standard; the only standard is profit.

15. (C) Azimov said that he had consulted with tax authorities on the funds seizure issue and could only say that everything had been done consistent with Uzbek law. Compromise proposals should be addressed to the Ministry of Foreign Affairs. He acknowledged that U.S. programs have helped Uzbekistan; however, he said, the Government of Uzbekistan is not looking for additional assistance from the United States because it can now fund these types of programs itself. The era of American assistance, according to Azimov, has come to an end.

Nematov: All According to the Law

16. (C) First Deputy Foreign Minister Nematov also expressed appreciation for past U.S. assistance on counterterrorism, counternarcotics, border security, and nonproliferation. He also said that the Government of Uzbekistan is grateful for U.S. humanitarian assistance, mentioning specifically the recent delivery of \$12 million of medical assistance under Project Hope. Like Azimov, Nematov also mentioned Minister Ganiev's plans to participate in the American Uzbek Chamber of Commerce meeting, commenting that the U.S.-Uzbek trade relationship is not close to meeting its full potential. Nematov stated total bilateral trade turnover had declined

from \$543 million in 2004 to \$245 million in 2006 and that there was much potential to expand. He reiterated previous comments to the Ambassador and Charge that there is no campaign against U.S. interests, nongovernmental organizations, or employees. The Government of Uzbekistan wants a good relationship with the United States, but the relationship must be on an equal footing, and with no political pressure. Uzbekistan, Nematov said, appreciates assistance, but as a sovereign, independent, and stable country, does not absolutely require outside help, particularly in areas such as democratic reform where the country is doing fine on its own.

¶7. (C) Nematov repeated past comments to the Charge that Bitvutskiy's case was being handled in full accordance with Uzbek law, that the investigation is ongoing, and that the United States should not jump to conclusions until it is completed. The Government of Uzbekistan, he said, respects and values the work done by the U.S. Embassy in Tashkent and its staff. However, these activities also must be conducted within the context of Uzbek law.

¶8. (C) Nematov continued his "obey the law" theme with regard to the funds seizure case. He said that financial sanctions against the organizations were imposed in accordance with law. Organizations that obey the law do not have any problems operating in Uzbekistan. However, in this case, tax audits conclusively demonstrated that the organizations did not deposit cash in the bank as they were required to do. Nematov estimated a total of approximately seven billion soum (\$5.6 million) was involved, broken down as Mercy Corps - 707 million soum (\$565,000), ACDI/VOCA - 3.5 billion soum (\$2.8 million), Joint Development Associates - 68.1 million (\$54,000), and FINCA - 2.6 billion soum (\$2 million). This was a very large sum in Uzbekistan, he asserted. He said that the Government of Uzbekistan would consider Adams' proposal to reprogram the seized funds into a mutually acceptable area, but that the proposal would be looked at in the context of Uzbek law.

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¶9. (C) According to Nematov, the Government of Uzbekistan welcomes continued operation of American nongovernmental organizations. However, if they were to operate in Uzbekistan, they must abide by several requirements: First, they must obey Uzbek law. Second, all activities must be coordinated with and approved by the government. Third, all activities must work for Uzbekistan's interests. Fourth, the activities must contribute to ongoing Government of Uzbekistan reform efforts.

Comment

¶10. (C) Azimov and Nematov were in receive mode and clearly did not have instructions from on high to do anything more than parrot oft-repeated, and meaningless, statements about Uzbekistan's respect for the law. They will report the meetings to President Karimov, who will ultimately decide whether to show any flexibility on the FSN and nongovernmental organization seizure of funds cases. Based on recent events and past experience, most likely Uzbek rhetoric about the desire for good relations and respect for the rule of law will continue while Uzbek actions will lag far behind. Post found it interesting that both Azimov and Nematov pointedly mentioned Minister Ganiev's planned visit to Washington. The message between the lines was that the U.S. should not allow disputes in the bilateral relationship to negatively affect the Government of Uzbekistan's ability to court investment from U.S. companies.

HANSON